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September 14, 2010

AGENDA ITEM 3d

TO: MEMBERS OF THE BENEFITS AND PROGRAM ADMINISTRATION COMMITTEE

I. SUBJECT: Adoption of Proposed Amendments to Regulations of Prefunding Plan for Health Care Coverage for Annuitants

II. PROGRAM: California Employers' Retiree Benefit Trust (CERBT)

III. RECOMMENDATION:

Staff recommends that the Committee recommend that the Board adopt the proposed amendments to Title 2 of the California Code of Regulations, Section 559.550, Prefunding Plan for Health Care Coverage for Annuitants.

IV. ANALYSIS:

CalPERS currently administers the Annuitant's Health Care Coverage Fund, (defined in existing regulations as the Prefunding Plan and sometimes referred to as the California Employers' Retiree Benefit Trust (CERBT) for the purpose of employer prefunding of retiree health benefits and other post employment benefits (OPEB).

Prior to January 1, 2008, only employers who participated in the Public Employees' Medical and Hospital Care Act (PEMHCA) health benefit plan were eligible to participate in the CERBT to prefund OPEB for their employees. Effective January 1, 2008, Stats. 2007, Ch. 318 (AB544), expanded the definition of "employer" to allow non-PEMHCA employers to participate in the CERBT.

At the June 16, 2010 Board of Administration meeting, the Board approved for publication proposed amendments to existing regulations (i) to expand the definition of employer to reflect the statutory change and thereby allow qualified California public agency employers to contract with CalPERS to prefund OPEB through the Prefunding Plan, and (ii) to indicate that the Prefunding Plan is sometimes referred to as the California Employers' Retiree Benefit Trust or CERBT.

A Notice of Proposed Regulatory Action was published in the California Regulatory Notice Register (CRNR) 2010, No. 31-Z, July 30, 2010 (see Attachment A.)

The last day to request a public hearing was August 27, 2010 and no request was received. No public hearing has been scheduled. The written comment period for the proposed regulatory action closes on September 13, 2010. At the time of agenda item preparation no comments had been received. Should any comments, be received prior to the scheduled Benefits and Program Administration Committee meeting on September 14, 2010, they will be shared during the Committee meeting.

If the Board adopts the amendments to the regulations, the rulemaking file will be forwarded to the Office of Administrative Law (OAL) for review and approval. Once the OAL has approved the amendment, it will be forwarded to the Secretary of State for filing and publication in the California Code of Regulations. The amended regulations will become effective 30 days after filing with the Secretary of State.

V. STRATEGIC PLAN:

This item supports Enterprise Goal I: Exercise global leadership to ensure the sustainability of CalPERS' pension and health benefits systems.

VI. RESULTS/COSTS:

There are no costs associated with this item.

RAND ANDERSON, Chief
Constituent Relations Office

ALAN MILLIGAN
Chief Actuary

Attachment